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SUBJECT: LUKOIL VP PREDICTS CHINESE DOMINANCE AND SUGGESTS  
MORE RUSSIA-U.S. ENERGY DIALOGUE

Classified By: Econ MC Eric Schultz for Reasons 1.4 (b/d)

LUKOIL VP LAMENTS STATE OF U.S.-RUSSIAN RELATIONS, CALLS FOR  
GRETAER ENERGY DIALOGUE

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SUMMARY  
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[1](#)1. (SBU) At an October 22 conference session on "U.S.-Russian Relations and Energy Security," Lukoil V.P. Leonid Fedun strongly criticized the U.S. for treating Russia as a "defeated nation." He nonetheless called for more dialogue as "equal partners," and portrayed China as a common threat, predicting Chinese control of much of the world's energy resources as well as its emerging military dominance. End Summary.

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"PSCHOLOGICAL MISUNDERSTANDING"  
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[1](#)2. (SBU) Speaking at an October 22 conference launching a partnership between the Moscow State Institute of International Relations (MGIMO) and the University of Texas's Strauss Center, Lukoil's outspoken V.P., Leonid Fedun, lashed out at the U.S. for "failing to notice" Russia's resurgence following its post-Cold War collapse. He criticized the U.S. for a "psychological misunderstanding" of Russia and its interest in being treated as an equal partner.

[1](#)3. (SBU) Fedun said higher prices have produced a change in the attitudes of the Russian elite, who were open to foreign advice because of Russia's economic collapse, but who are now exerting Russia's resurgent influence globally. This phenomenon was not limited to Russia. With high margins, producing countries generally are moving to reduce their reliance on foreign expertise and capital.

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CALL FOR DIALOGUE  
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[1](#)4. (SBU) Despite strained bilateral ties and Russia's growing assertiveness in the energy sector, Fedun called for more dialogue on energy issues. He claimed that high oil prices have also resulted in greater economic nationalism in

importing countries as well, specifically citing U.S. concerns with Chinese investment in its domestic energy sector. He lamented that engagement between the U.S. and Russia in the energy sphere is limited, pointing to the partnership between Lukoil and ConocoPhillips as one of the few between American and Russian companies. (N.B. A Rosneft speaker later pointed to his own company's partnerships with ExxonMobil as another example.).

15. (SBU) Fedun also complained about U.S. laws that affect investments by third-country companies in Iran and Sudan. He specifically mentioned that Lukoil, which has gas stations in the U.S., cannot pursue activities in Iran without risk to its U.S. assets.

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CHINA THE SUPERPOWER  
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16. (SBU) Fedun, a former Lt. Col. in the Soviet army, an academic, and now a billionaire oligarch, claimed China was fast outstripping the U.S. as the world's superpower. He predicted that China would have the world's most powerful military in 10-15 years, which could lay the basis for a "possible military solution" on the issue of Taiwan. He expected that China, which is aggressively pursuing energy ties and investments around the world, would soon control much of the world's energy resources. And he claimed China could cause the "collapse" of the U.S. economy by selling its vast dollar reserves.

17. (SBU) According to Fedun, Chinese dominance "might be a good thing" in and of itself, but nonetheless the demise of

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U.S. global supremacy would be economically and politically disruptive.

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COMMENT  
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18. (C) Fedun's speech likely reflects Lukoil's deep disappointment with the lack of a resolution of its problems in Iraq and annoyance with the effects of U.S. sanctions in other spheres such as Iran. That said, his call for greater U.S.-Russia dialogue on energy issues is welcome and should be reciprocated. End Comment.  
Burns